

[Certified Translation]

March 1, 2002

Mr. Keiji Kimura  
Mr. Masato Fujimoto

cc: Mr. Fukuda  
General Manager, International Business Division

### Asset Sale Progress Log

#### General Overview

With respect to the sale of assets, Hawaii has been the only [region] that has repatriated money to Japan out of [its] cash flow. I explained to the President that if we sold, it would no longer be possible to repatriate any money at all. Instructions to sell off assets were first received in 1995. Yet when we proceeded in December 1996 to sell 312 acres of undeveloped land at the Pukalani Country Club on Maui using company personnel, [the President] was very angry because [he felt that] the price was too low.

In terms of the sale of our operating properties, we originally negotiated to sell the Diamond Head Beach Hotel, the first property we sold, at \$9 million. However, the negotiating price dropped each time that negotiations broke down and we the actual price we ended up selling for was \$4,500,000, an extremely low price. The President was shocked but didn't seem particularly unhappy, perhaps because the sale had been made using professionals.

The way I understand it, since all of the offers were lower than the amounts that the President wanted, he elected until last year to repatriate profits from operations to Japan. However, after the September 11<sup>th</sup> terrorist attacks, cash flows generated particularly by the Hawaii operating properties – particularly, the hotels - dropped and we could no longer expect to repatriate money to Japan. The broker[s] informed us that subsequent to the terrorist attacks, it had become virtually impossible to secure financing for sales [SIC] and that cash flow had therefore become the sole criteria for determining value. For example, since the Queen Kapiolani Hotel was generating a deficit each month, its value would be zero. We were recommended to sell to the companies that the broker found, and although negotiations were held, [the buyers] were ultimately unable to put arrangements for financing in place and pulled out midway through. Subsequently, towards the end of the year, instructions were received from the President to sell off all of the operating properties. He indicated that the reason for this was that there was a possibility that the Florida resort might go into bankruptcy, in which case the properties in Hawaii would get attached by the debtors [SIC], rendering it impossible to repatriate the proceeds from any sales to Japan.

In addition, subsequent to seeking protection under the Corporate Reorganization Act, I was told by the President that [he] had been considering the prospects of filing for bankruptcy since the beginning of the year, and that [the company] were to have gone bankrupt before the Hawaii properties were sold off, then Bank of Hawaii, which had mortgages granted to it on each

**EXHIBIT K-1**

of the golf courses and which had Sports Shinko Co., Ltd. furnish a guarantee in conjunction with the seeking of protection by Sports Shinko Co., Ltd. under the Corporate Reorganization Act, would immediately foreclose on its mortgages, tying up all of the Hawaii properties and therefore rendering it impossible to repatriate money to Japan, and he thus indicated that one of the factors underlying the decision to sell was the need to sell immediately and repatriate money to Japan.

The offer for the Kiahuna Golf Club, which is currently in litigation, was made while we were working on selling off all of the properties and as a result, I did not report the offer to the President. However, word reached the President when the broker contacted Mr. Fukuda, the General Manager of the International Business Division. The President told me that Mr. Fukuda had "brought in a high offer for the Kiahuna Golf Club." He asked me "why I hadn't contacted him about it" and instructed me to "by all means, proceed with it since \$10,000,000 was a good price." I advised the President to "please be careful. Since a U.S. mainland buyer and a local broker were involved, the high price was being offered to get a contract rolling. The buyer was guaranteed to lower its price through the course of due diligence. Negotiations over price will continue for several months right up until closing." I also asked him "how things should be handled in light of the work we were proceeding with to sell off all of the properties." In response, I was instructed to "proceed at the same time with both simultaneously." Thinking that that the sale of all of the properties would be resolved in mid-January, I was somehow able to get the offeror to agree that we would commence work on the Kiahuna Golf Club as a standalone property in mid-February. The day after the contract was signed for the sale of all of the properties, I sent an e-mail declining [their offer] but they failed to understand and proceeded to file a claim in court. Based on the opinion of our corporate counsel, their claim is expected to be dismissed.

### **Year-by-Year Description of Activity**

#### 1995

March 14-15:

Kiahuna Golf Club Undeveloped Land: The Kauai County Development and Planning Authority, displeased with the fact that Sports Shinko had failed to undertake any development on the property since acquiring it back in 1986, filed a complaint with the State of Hawaii Land Use Commission. The Commission took up the matter as critical and held a hearing (Order to Show Cause Hearing) regarding the reasons why we had failed to undertake any development work. The County of Kauai was seeking to have the land converted to agricultural. Several hearings were subsequently held, and the matter ultimately concluded on November 17, 1997 with the imposition of additional conditions for development and a 2004 time limit for development. (Exhibit 1)

[I] began traveled back and forth between Hawaii and our Osaka Head Offices around May, taking up my position in August. The reasons had to do with resolving the above-described issue involving the State Commission, which had become too large for the local general manager to handle, and to restore the operational performance of our operating

properties (particularly, the Mililani Golf Club, the Pukalani Country Club, the Kiahuna Golf Club and the Ocean Resort Hotel Waikiki). I proceeded to assume the position of Vice President and General Manager of Sports Shinko Hawaii. At the time I assumed my position, I was instructed by the President to develop the development site and repatriate the profits to Japan. The individual who preceded me in the role of General Manager was my mother-in-law's friend's husband, Koichi Fukushima, who is currently the Assistant General Manager of the Sports Shinko Country Club. His tenure in the position lasted from September 1990 through March 1991. The individual who preceded me in the role of Vice President of Sports Shinko Hawaii was Representative Director/Vice President Takeshi [Kinoshita]. His tenure in the position lasted from 1989 through May 1995.

After conducting an investigation, it became evident that tremendous costs would be involved in laying the necessary infrastructure (water, sewage, etc.) to do the development work, that we had no prospects for securing financing, and that there was little in the way of demand for any development. When I reported this to the President, he instructed me to sell off just the development site and to repatriate the sales proceeds to Japan.

- July 13<sup>th</sup>: Diamond Head Beach Hotel: We thought of purchasing the fee in order to add value and had our legal counsel send out a letter to the ground lessor. (Exhibit 2)
- August 4<sup>th</sup>: Queen Kapiolani Hotel: An agreement was reached in the 3-party arbitration involving the lessor, the lessee and a third-party regarding the negotiation of the groundlease rent. (Exhibit 3)
- August 28<sup>th</sup>: Diamond Head Beach Hotel: We tried to acquire the fee in order to add value and sell, but received a letter from the ground lessor indicating that the ground lessor had no intention of selling the fee. (Exhibit 4)
- September 21<sup>st</sup>: Presidential Directive: We were instructed to intensify our efforts to sell off a portion of the Hawaii assets (Diamond Head Beach Hotel) because the company's financial environment had become strained. (Exhibit 5)
- October 26<sup>th</sup>: Pukalani Country Club Undeveloped Site (312.3 acres): We entered into a purchase and sale agreement with Dowling Company, Inc. (Exhibit 6)
- November 14<sup>th</sup>: Diamond Head Beach Hotel: We executed an exclusive brokerage agreement with Hotel Partners. The sales price was \$10,000,000. (Exhibit 7)

1996

May 14<sup>th</sup>: Diamond Head Beach Hotel: We extended the exclusive listing agreement with Hotel Partners for a period of 6 months. (Exhibit 8)

November 14<sup>th</sup>: Diamond Head Beach Hotel: We terminated the agreement with Hotel Partners because they were unable to bring in any offers at the price the President wanted. The decision was made that we would look for buyers on our own. (Exhibit 9)

December 31<sup>st</sup>: Pukalani Country Club Undeveloped Land (312.3 acres): Sold to Dowling Company, Inc. for \$7,000,000. (Exhibit 10: Closing Statement)

1997

January: Diamond Head Beach Hotel: Commenced ground lease rent renegotiations. (Exhibit 11)

November 17<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: The State of Hawaii Land Use Commission's deliberations, which had been ongoing since 1995, came to a conclusion, with additional conditions for development imposed along with a 2004 time limit for development. (Exhibit 12)

1998

March 23<sup>rd</sup>: Diamond Head Beach Hotel: We received a letter from Global Pacific Fund offering to make the purchase for \$7,500,000. We negotiated to try to get their price up to \$9,000,000. (Exhibit 13)

April 7<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Mr. Moshe Silagi expressing interest in purchasing a portion of the undeveloped land for \$2,100,000. The Buyer was interested in purchasing only the most valuable portion[s] of the overall property. Given the risk that this could render it difficult for us to sell off the remaining portions, I informed the President that we should sell the whole property as a single package. The President instructed me to make inquiry with the buyer about purchasing the entire property. The buyer subsequently lost interest in the property. (Exhibit 14)

- April 15<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: An appraisal report was prepared by a real estate appraiser in order to provide substantiation for the sales price. Based on our attorney's recommendations, we selected an appraiser with a reputation for fair valuations. (Exhibit 15)
- June 8<sup>th</sup>: Diamond Head Beach Hotel: Global Pacific Fund agreed to make the purchase for \$8,250,000. (Exhibit 16)
- July 10<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Shell Vacation LLC, a time share company, offering to purchase a portion of the undeveloped land for \$1,900,000. We were instructed by the President to sell for at least \$5,000,000 and the negotiations fell through. (Exhibit 17)
- August 5<sup>th</sup>: Diamond Head Beach Hotel: The groundlease rent renegotiations came to an end. We subsequently tried to negotiate to extend the term of the lease from 35 years to 60 years in order to make it easier for a buyer to secure financing and to get a better price at the time of sale. However, the negotiations ended without any resolution being reached. (Exhibit 18)
- October 8<sup>th</sup>: Diamond Head Beach Hotel: Global Pacific Fund demanded a discount of \$1,985,000 for building repair costs and the deal proceeded to fall through. (Exhibit 19)

1999

- February 18<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: We sent out responses to inquiries received from two brokers, CB Richard Ellis and Pacific Ocean Properties, regarding the sale of the undeveloped land. (Exhibit 20)
- February 23<sup>rd</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Makai Properties, a local broker, offering to purchase a portion of the undeveloped land for \$2,000,000. Their commission was too high at 6%. In addition, although they were asking for [only] a month for due diligence, they wanted four months thereafter to close, which was too much. (Exhibit 21)

April 1<sup>st</sup>: Diamond Head Beach Hotel: The Shidler Group expressed interest in making the purchase for \$5,000,000 (Exhibit 22)

April 12<sup>th</sup>: Diamond Head Beach Hotel: We received a letter from Altamont Properties, LLC, offering to make the purchase for \$6,000,000. (Exhibit 23)

April 12<sup>th</sup>: Diamond Head Beach Hotel: The Shidler Group agreed to make the purchase for \$5,500,000. However, the negotiations fell apart prior to conclusion because [their agreement] was preconditioned upon being able to secure a timeshare zoning variance. (The hotel has been operated under a special variance on land originally zoned for apartments. The zoning did not allow for timeshare.) (Exhibit 24)

May 21<sup>st</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Makai Properties, a local broker, offering to purchase a portion of the undeveloped land for \$3,000,000. At 6%, the commission involved was too high. (Exhibit 25)

July 22<sup>nd</sup>: Diamond Head Beach Hotel: Mr. Tom Childer of Altamont Properties executed a purchase and sale agreement. [He] terminated the deal midway through the due diligence period. (Exhibit 26)

August 2<sup>nd</sup>: Pukalani Country Club and the Undeveloped Land: We entered into a confidentiality agreement with Dowling Company, Inc.

August 26<sup>th</sup>: Diamond Head Beach Hotel: We entered into a confidentiality agreement with Mr. William [SIC] J. Vanmanen. (Exhibit 27)

**September 3<sup>rd</sup>:** **Residence for Expatriate Japan Staff Use Adjacent to the 18<sup>th</sup> Hole at the Mililani Golf Course: We sold the property for \$400,000, having purchased it for \$852,418 back in 1990. (Exhibit 28)**

September 15<sup>th</sup>: Kiahuna Golf Club and the Undeveloped Land: A local broker located near the golf course made inquiry with the Arnold Palmer Company but was turned down on the grounds that the golf course's revenues were too low. (Exhibit 29)

- November 4<sup>th</sup>: Diamond Head Beach Hotel: We received a letter from the Shidler Group (Shidler West) calling off the deal. Although escrow had already been opened, the deal unfortunately fell through because of the lack of prospects for being able to do timeshare. (Exhibit 30).
- November 12<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Makai Properties, the local broker, saying that the value of the undeveloped land was substantially lower because of differences between the information contained in the property appraisal and the actual property itself. (Exhibit 31)
- November 16<sup>th</sup>: Diamond Head Beach Hotel: We received a letter from FSR Partners offering to make the purchase for \$5,500,000. (Exhibit 32)
- November 19<sup>th</sup> [SIC]: Colliers (exclusive broker): [I] visited Colliers' offices along with the officer[s] from Bank of Hawaii who had made the recommendation. I planned to get information from them about [the] real estate [market]. Colliers appeared to be extremely unhappy with Sports Shinko Japan. I was confused because I didn't understand why. The Bank officer[s] who accompanied me was also unable to conceal his [her?] shock.
- November 30<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: I was instructed by the President to reject Mr. Shilagi's offer to purchase a portion of the site. (Exhibit 33)
- December 6<sup>th</sup>: Kiahuna Golf Club Undeveloped Land: We received a letter from Springfield Development, LLC offering to purchase a portion of the undeveloped land for \$5,053,000. However, the deal went up in smoke because they wanted an excessively lengthy due diligence period of 120 days. (Exhibit 34)
- December 28<sup>th</sup>: Diamond Head Beach Hotel: We entered into a purchase and sale agreement with FSR Partners. The due diligence period involved was 90 days. (Exhibit 35)

2000

- January 21<sup>st</sup>: Pukalani Country Club: Heritage Golf Group expressed interest in the purchase but we were unable to come to terms on price. (Exhibit 36)

February 18<sup>th</sup>: Diamond Head Beach Hotel: FSR Partners demanded a discount of \$1,750,000, corresponding to our share of the \$2,350,000 in repair costs necessitated by the degraded condition of the building. (Exhibit 37)

February 25<sup>th</sup>: Ocean Resort Hotel Waikiki: We received a letter from PER.INC offering to make the purchase for \$1,500,000. The price was too low. (Exhibit 38)

April 4<sup>th</sup>: Diamond Head Beach Hotel: We received a letter from FSR Partners calling off the purchase. (Exhibit 39)

April 15<sup>th</sup>: Diamond Head Beach Hotel: We received a letter from Mr. Simon Bebb, a buyer, calling off the purchase. We were unable to come to terms on price. (Exhibit 40)

May: Colliers (exclusive broker): Prospective sales prices were submitted: a total amount of between \$14,000,000 and \$18,000,000 for the Pukalani Country Club and Undeveloped Land and a total amount of between \$25,000,000 and \$36,000,000 for the Kiahuna Golf Club and Undeveloped Land. (Exhibit 41)

May 5<sup>th</sup>: La Costa: We showed the property to Strategic Hotel Capital, a prospective buyer. (Exhibit 42)

June 14<sup>th</sup>: Colliers (exclusive broker): We entered into an exclusive brokerage agreement for the Diamond Head Beach Hotel. We agreed to a possible sales price in the area of \$4,800,000 - \$5,500,000 with the commission to range between 3% - 5.5% depending on the sale price. (Exhibit 43)

July 11<sup>th</sup>: Kiahuna Golf Club/Pukalani Country Club: We entered into an offer computation agreement with Goldman Sachs Realty Japan Y.K. (Exhibit 44)

July 21<sup>st</sup>: Diamond Head Beach Hotel: Colliers sent a letter to Mr. Hans Hedemann offering to sell for \$5,500,000. (Exhibit 45)

July 24<sup>th</sup>: Diamond Head Beach Hotel: Colliers sent letters to Paskin Properties and Reynolds & Shidler offering to sell for \$5,500,000. (Exhibit 46)

July 27<sup>th</sup>: Mililani Golf Club Corporate Residence: We sold the condominium next to Hole No. 1 for \$141,000. We had purchased it back in October 1986 for \$133,000 for use by Japan expatriate staff. (Exhibit 47)

August 2<sup>nd</sup>: Diamond Head Beach Hotel: Received a letter from Laeroc Partners Inc. offering to make the purchase for \$4,000,000. (Exhibit 48)

August 4<sup>th</sup>: Kiahuna Golf Club/Pukalani Country Club: We received proposed purchase prices from Goldman Sachs Realty Japan for just the golf courses alone. Kiahuna: \$5,000,000, Pukalani: \$8,000,000. These offers were rejected as they were substantially lower than the prices that the President wanted. (Exhibit 49)

August 10<sup>th</sup>: Colliers (exclusive broker): At the July meeting of the board of directors, a schedule was prepared showing the prospective sales prices proposed by the various brokers we had inquired with to date with and the offers received from Goldman Sachs. Colliers' projected the highest sales prices. In addition, Mr. Fukuda, the General Manager of the International Business Division, was an old acquaintance of Colliers' Japan representative, and [we] therefore recommended [using] Colliers and this was approved by the Board, anticipating that we would be able to control the broker both from the Hawaii side and from the Japan side. (Exhibit 50)

August 11<sup>th</sup>: Colliers (exclusive broker): We entered into an exclusive brokerage agreement with Colliers for the Kiahuna Golf Club and Undeveloped Land as well as for the Pukalani Country Club and Undeveloped Land. Brokers commission: 4%. The maximum sales prices were listed as \$42,000,000 for Kiahuna and \$29,000,000 for Pukalani. (Exhibit 51)

August 25<sup>th</sup>: Diamond Head Beach Hotel: As part of our marketing, we publicized the fact that the hotel was up for sale through an article in the Honolulu Advertiser, a local newspaper.

August 31<sup>st</sup>: Diamond Head Beach Hotel: We received an offer from Savio Realty (Queen Emma Gardens), a local company, to make the purchase for \$6,500,000. (Exhibit 52)

November 27<sup>th</sup>: Colliers (exclusive broker): We entered into an exclusive brokerage agreement for the Ocean Resort Hotel Waikiki. Brokers commission: 3%. We had the broker commence efforts to negotiate with the ground lessor in order to enable us to sell the hotel together with the fee. (Exhibit 53)

December 11<sup>th</sup>: Diamond Head Beach Hotel: We entered into a purchase and sale agreement with Savio Realty, a local company. (Exhibit 54)

December 22<sup>th</sup>: Mililani Golf Club Corporate Residence: We sold the presidential villa next to Hole No. 7 for \$475,000 and wired money directly to Japan from escrow. (Exhibit 55)

2001

January 27<sup>th</sup>: Pukalani Country Club: We received a letter from the Awakuni Group, an acquaintance of Mr. Masatakara [?], the private secretary to former Dietmember Uozomi, offering to make the purchase for \$30,000,000. However, we passed on the offer because the buyer's true identity was unknown.

Late January: Diamond Head Beach Hotel: Mr. Savio claimed that the maintenance of the building had been inadequate and constituted a hazard. Our company retained its own professional building inspection firm and negotiated with Mr. Savio and his building inspection firm.

March 6<sup>th</sup>: Diamond Head Beach Hotel: We closed on the sale to Savio Realty, a local company, for \$4,500,000. (Exhibit 55 (SIC))

June 14<sup>th</sup>: Ocean Resort Hotel Waikiki: We received a letter from the ground lessor's appraiser stating that the appraised value of the land was \$944,000. (Exhibit 56)

June 21<sup>st</sup>: Colliers (exclusive broker): Colliers explained to us that the projected sales prices for the Pukalani Country Club and Undeveloped Land as well as the Kiahuna Golf Club and Undeveloped Land would be lower than the prices projected in May of last year. Colliers explained that the factors behind the price drops were: (1) the difficulty in obtaining water, sewer and other infrastructure for the undeveloped sites, (2) the slowdown in the U.S. economy reflected by the drop in stock prices on the NASDAQ, etc., and (3) the weakening of the yen exchange rate, which had fallen from last year's level of 105-110 yen to the dollar down to 120 yen). (Exhibit 57)

July: Colliers (exclusive broker): Mr. Andrew Friedlander, the CEO of Colliers, explained to us that the asset sale market in Hawaii was losing its appeal and that sales prices were going to drop going forward. He explained that this was due to the fact that the sour state of the high tech industry in the U.S. - particularly on the West Coast, the worsening economic recession in Japan, and the drop in visitor counts to Hawaii were diluting the attractiveness of real property purchases in Hawaii.

August 17<sup>th</sup>: Pukalani Country Club and Undeveloped Land: Pukalani Country Club and Undeveloped Land [SIC]: We received an offer from Smith Development, a local developer, for \$11,000,000. We were instructed by the President to respond with \$15,000,000, and transmitted this through Colliers, our exclusive broker. (Exhibit 58)

August: La Costa: I visited the site in connection with the refinancing of the Fuji Bank loan and met with Vice President Takeshi, the former President. I also negotiated the termination of the 20-year management company agreement with Mr. Ron Thompson. At this point in time, there were no contract termination provisions and this was posing a major obstacle to selling.

Early September: La Costa: Given that the lender's terms for the refinancing of the Fuji Bank loan were extremely tough, [I] expressed to the President my desire to make inquiry in Hawaii and got his okay. Through a local financier, I subsequently received a letter from Credit Suisse First Boston expressing interest.

September 10<sup>th</sup>: Ocean Resort Hotel Waikiki: Despite the fact that we were in the midst of negotiating a Joint Sale Agreement with the ground lessor, we received a letter from LaeRoc Partners on the mainland offering to make the purchase for \$13,500,000. (Exhibit 59)

September 11<sup>th</sup>: Terrorist attacks on the World Trade Center in New York City.

- September: Colliers (exclusive broker): Colliers explained to us that in the wake of the September 11<sup>th</sup> terrorist attacks, real property markets had rapidly chilled and brokers were now in a position in which they were simply happy to receive offers. We were also informed that mortgage firms on the U.S. mainland were in dire straits and that the prospects for purchasing hotels and similar such properties were downright grim given the virtual impossibility of obtaining financing.
- Early September: La Costa: I was notified by Vice President Takeshi that the refinancing lender had turned down the refinancing due to the sudden change in conditions following the terrorist attacks. After checking with the local financier, I later informed Vice President Takeshi that Credit Suisse First Boston had indicated that it would still be able to provide the financing despite the terrorist attacks. However, the response that I received was "the decision has already been made to sell". Although it had been indicated that it would be possible, subject to negotiations between the banks involved, to get an extension while we were looking into a refinancing, I was told that "if the loan gets rejected, it would take that much more time to make the sale, so [I'm] just going to go ahead and sell it." When I checked with the President, I was told that "he and Takeshi were handling La Costa and that I shouldn't interfere." When I asked whether selling "would not create a major problem because it would cause [the company] to fall into a state in which its debts exceeded its assets", I was instructed that "that was Financing's job and that I should just concentrate on Hawaii".
- September 20<sup>th</sup>: Ocean Resort Hotel Waikiki: We received another letter from LaeRoc Partners offering to make the purchase for \$8,500,000 in light of the drastically changed conditions following the terrorist attacks. (Exhibit 60)
- October 1<sup>st</sup>: Pukalani Country Club and Undeveloped Land: We received an offer for \$6,500,000 from Rancho Manana Golf Club, a U.S. mainland developer. (Exhibit 61)
- October 1<sup>st</sup>: Pukalani Country Club and Undeveloped Land: We again received an offer for \$11,500,000 from Smith Development, a local company. (Exhibit 62)
- October 3<sup>rd</sup>: Colliers (exclusive broker): We were informed by Colliers that many buyers were pulling out of the market. (Exhibit 63)

October 8<sup>th</sup>: Undeveloped Land Adjacent to the Kiahuna Golf Club: We received a letter from Mr. Moshe Silagi offering to purchase all of the undeveloped land for \$5,000,000, with a due diligence period of 3 months and an additional month required to close. The price was too low. (Exhibit 64)

October 23<sup>rd</sup>: Pukalani Country Club and Undeveloped Land / Kiahuna Golf Club and Undeveloped Land: We received offers from Mr. Everett Dowling, a developer on the Island of Maui, to purchase each of the properties for \$7,500,000. (Exhibit 65)

October 29<sup>th</sup>: Pukalani Country Club and Undeveloped Land: We sent a letter to Dowling stating that the President was not interested in less than \$10,000,000. We ignored the offer for the Kiahuna Golf Club because it was far too low. (Exhibit 66)

November 6<sup>th</sup>: Pukalani Country Club and Undeveloped Land: We received an offer from Mr. Dowling to purchase a portion of the undeveloped land along with the golf course for \$6,300,000 in cash. However, the gap between their offering price and the \$10,000,000 price indicated by the President had widened further. (Exhibit 67)

November 15 <sup>th</sup> :	La Costa: I visited the site in order to work on shutting down the office in connection with the Closing. In hindsight, it turns out that the buyer received financing for the purchase from Credit Suisse First Boston, the lender whose name had come up in Hawaii.
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November 15<sup>th</sup>: Pukalani Country Club and Undeveloped Land: We received notice from Smith Development, a local company, calling off the purchase. (Exhibit 68)

November 15<sup>th</sup>: The 3 Golf Courses and Undeveloped Land: We received an offer from Mr. Ron Allred, a U.S. mainland developer, to purchase the Pukalani Country Club and Undeveloped Land (excluding the sewage treatment plant) for \$8,000,000, the Kiahuna Golf Club and Hole No. 9 Additional Development Site for \$3,000,000 and the Mililani Golf Club as an option for \$8,000,000. It was easy to foresee that negotiations would be drawn out as the buyer would look to knock the prices down during the course of the due diligence period, and that negotiations would continue right up until closing. (Exhibit 69)

- November 16<sup>th</sup>: Conditions in Hawaii: An article appeared in the Honolulu Advertiser, a local paper, regarding conditions in Hawaii and commenting that the recession would last through the summer of 2002. (Exhibit 70)
- November 16<sup>th</sup>: Colliers (exclusive broker): We received a written analysis from Colliers indicating that the real estate market had severely deteriorated as a result of the September 11<sup>th</sup> terrorist attacks and that the outlook for the next 1-2 years was bleak. (Exhibit 71)
- December 2<sup>nd</sup>: Colliers (exclusive broker): The real estate market in Hawaii had chilled due to 1) the September 11<sup>th</sup> terrorist attacks, 2) the decline in Japanese visitor counts and spending, 3) the slowdown in the Japanese economy, 4) the slowdown in the U.S. economy and 5) the slowdown in the golf course and hotel markets. As a result, virtually all buyers were looking solely to cash flow value as a basis for price. Colliers indicated that they expected it to take another 2-3 years before the market bounced back. (Exhibit 72)
- December 4<sup>th</sup>: Kobayashi Group: We received a letter expressing strong interest in purchasing the Hawaii properties. (Exhibit 73)
- Approx. Dec. 10<sup>th</sup>: Instructions from the President: Received instructions from the President to hold off on responding with respect to individual sales.
- December 12<sup>th</sup>: Kobayashi Group: We received a letter offering to purchase all of the Hawaii properties for \$22,000,000. (Exhibit 74)

2002

January:	Kobayashi Group: Although we had been thinking in terms selling for the highest prices possible, concern arose that the Hawaii properties might get attached in connection with the failure of the Grenelefe Resort in the State of Florida. It was explained to me that if the properties were to get attached, it would no longer be possible to repatriate any money to Japan but that it would possible to repatriate funds to Japan in the event of a sale and it was therefore necessary from Sports Shinko's standpoint to effect an immediate sale of all the properties. Then, in preparation for the sale, work was commenced in drafting up a purchase and sale agreement.
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January 12 <sup>th</sup> :	Kiahuna Golf Club: While we were waiting for the President's to make a decision regarding the Kobayashi Group's offer, we received an offer for \$10,000,000 for the Kiahuna Golf Club. Since I was instructed by the President to move forward with both this and the Kobayashi Group's offer, I treated it as a just-in-case backup offer that would allow us to begin working on the sale in mid-February. The broker, however, found this unacceptable and has filed a lawsuit.
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January 14<sup>th</sup>: Kobayashi Group: I received word from the President that "things were already in a pinch and that, unfortunately, he had decided to go with the Kobayashi Group". I informed Mr. Mukai of this.

January 15<sup>th</sup>: The purchase and sale agreement was signed. (Exhibit 75)

**January 25<sup>th</sup>: Closing on the 3 Golf Courses. (Exhibit 76)**

**January 30<sup>th</sup>: Closing on the Ocean Resort Hotel Waikiki. (Exhibit 77)**

**January 31<sup>st</sup>: Sale of Residence on the Island of Maui: Sold to the management company with the \$200,000 sales price applied treated as a reduction of contract termination fees. (Exhibit 78)**

February 27<sup>th</sup>: Kobayashi Group: Negotiated with the buyer, buyer's counsel and buyer's accountants regarding the Queen Kapiolani Hotel closing, etc. (regarding the reconciliation of accounts receivable and accounts payable for the golf courses and Ocean Resort Hotel Waikiki - particularly, collective bargaining provisions and treatment regarding paid vacation and severance pay, and the wishes of Mr. Tahara and Mr. Kimura).

February 28 – March 4: Sports Shinko Hawaii: Mr. Hanada, the accountant, provided on-site verification and guidance with respect to accounts receivable and accounts payable adjustments. In particular, the urgent issue was to make up for the lost time on Kiahuna Golf Club and promptly prepare an estimate of wire transfer[s] to Japan.

#### Attachments

Schedule of Asset Sale Results and Wire Remittances by Year from 1995 - 2002

NO FURTHER TEXT

**Glenn Melchinger – FW: 資産売却報告書**

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**From:** "Iwamura, Steve (JP – Osaka)"  
<steve.iwamura@tohatsu.co.jp>  
**To:** "Tsuda Rumiko (E-mail)" <rumiko.tsuda@tohatsu.co.jp>  
**Date:** 03/31/2002 20:21  
**Subject:** FW: 資産売却報告書  
**Attachments:** 資産売却経過日誌.doc; 1995年度より2002年度までの年度別資産売却実績及び送金一覧表.doc; 資産売却一覧.xls; ATT205080.txt

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Please print out the mail and all attachments for me. steve

-----Original Message-----

**From:** Fujimoto, Masato (JP – Osaka)  
**Sent:** Thursday, March 07, 2002 6:09 PM  
**To:** Iwamura, Steve (JP – Osaka); Kikuyama, Yoichi (JP – Osaka)  
**Subject:** FW: 資産売却報告書

-----Original Message-----

**From:** Satoshi Kinoshita [<mailto:satoshi@sportsshinkohawaii.com>]  
**Sent:** Tuesday, March 05, 2002 9:16 PM  
**To:** Esquire Keijiro Kimura; Mr. Fujimoto CPA Partner  
**Cc:** Esquire Hiroshi Hattori; Esquire Yasuo Yamagata  
**Subject:** 資産売却報告書

平成14年3月4日

木村圭二郎先生  
藤本真人先生

2月第2週にご指示戴きました、資産売却報告書の本文を送付申し上げます。御  
査  
方宜しくお願い申し上げます。  
ハワイご訪問時には、添付資料を添えて、お渡し申し上げます。宜しく  
お願い申し上げます。

げます。

木下 聡拝

(写) 銀座シティ法律事務所 服部弘志先生  
関西法律特許事務所 山形康郎先生  
福田国際事業本部長殿